



UNITED STATES DEPARTMENT OF COMMERCE  
National Oceanic and Atmospheric Administration  
NATIONAL MARINE FISHERIES SERVICE  
Silver Spring, Maryland 20910

April 26, 1999

Mr. Richard E. Gutting, Jr.  
Executive Vice-President  
National Fisheries Institute  
1901 North Fort Myer Drive  
Suite 700  
Arlington, Virginia 22209

Dear Mr. Gutting:

This letter is intended to be an "open letter" to the NFI membership. We would appreciate your assistance in sharing it with your members.

Many of your members may have heard that the President's Budget for Fiscal Year 2000 includes a provision to transfer the U.S. Department of Commerce (USDC) voluntary Seafood Inspection Program from the National Oceanic and Atmospheric Administration (NOAA) to the Food and Drug Administration (FDA). In addition, the Administration intends to submit legislation to the Congress shortly to not only transfer the Program to FDA, but also to establish it as a Performance Based Organization (PBO). We in the Seafood Inspection Program support the proposed transfer to FDA as a PBO and look forward to providing continued high quality services to our voluntary customers. We believe that the relocation of our existing Program to FDA is an obvious solution to existing fragmentation in Federal seafood inspection activities. The President's Council on Food Safety also supported this transfer in its recent report to the President assessing the National Academy of Sciences report: "Ensuring Safe Food from Production to Consumption."

The purpose for this letter is to address concerns about the transfer and the PBO initiative that have been reported recently. Although we would prefer to sit down with each of your members and our customers to explain in detail the benefits of the proposed transfer, this letter can reach more people faster.

First and foremost, I want to emphasize that the transfer of our existing Program to FDA, where it will continue to operate as a separate fee-for-service activity, will be a seamless process to our customers. Only the Headquarters staff will physically relocate. We will maintain our three regional inspection branches located in Gloucester, Massachusetts; St. Petersburg, Florida; and Bell, California. The same inspectors will continue to provide the services desired by our current and future customers. The "Grade A" and other seafood inspection marks will remain available along with the full range of services requested by customers.



And our customers will continue to be Priority #1 to the Program.

Placing both Federal seafood inspection programs within FDA makes good public policy sense. This reorganization also addresses confusion regarding who to talk to about Federal seafood inspection. FDA will continue to carry out its mandatory HACCP seafood safety program, and we will continue to offer our voluntary services through a separate organization to be located within FDA. Although both programs' inspectors occupy near identical positions, they are either Consumer Safety Inspectors or Consumer Safety Officers, operation of these programs will continue to be carried out separately. The FDA mandatory program is funded by taxpayers through directed appropriations from Congress. The mandatory program's customers do not have a choice regarding regulatory inspections of their operations. The USDC voluntary program is financed by user fees and no services are provided unless ordered and funded by the customer. Nothing is being proposed to change the source of funding for either program. The transfer to FDA will not result in commingled funding for these separate programs.

One benefit to the voluntary program's customers resulting from the transfer is expected to be reduced overhead costs which will translate into lower rates in the future than would otherwise occur. FDA will also have the opportunity to eliminate redundant or overlapping inspections relative to the voluntary program's customers. By recognizing that these plants are already being inspected by a Federal entity, FDA can redirect inspectors to other priority seafood or food safety needs. This will not add to our customers' costs but can result in more effective use of the Government's food safety resources.

The seafood industry and consumers will also reap added benefits from the heightened commitment to customer service and accountability stemming from the voluntary Seafood Inspection Program becoming a Performance Based Organization. (PBO's are organizations which have strong incentives to manage for results.) One important PBO-related change would be the creation, by statute, of a position referred to as a Chief Operating Officer (COO) with responsibility for managing the voluntary program's daily operations. The COO's compensation and tenure are tied to the organization's performance. In addition, the PBO legislation provides the Seafood Inspection Program with greater flexibility to respond to customers' needs and changing market conditions.

These provisions support more efficient operations and foster improved performance.

Concerns have been raised regarding the voluntary program's financial stability and readiness to stand on its own in a new agency. We believe that the PBO-related provisions promote such stability. In addition, we are pleased to note that last year (Fiscal Year 1998) was a good year for the Program. Our income exceeded our costs by a comfortable margin, and we are projecting another successful year for Fiscal Year 1999. We are fully prepared to join FDA as a productive, self-supporting entity, that can complement and enhance the Nation's seafood safety system. We are looking forward to this challenge and the benefits and operating efficiencies that will result from transferring the program to FDA and establishing it as a Performance Based Organization.

Some have asked how FDA can carry out both a mandatory regulatory seafood safety program and a voluntary fee-for-service safety-quality program. The answer can be found at the Department of Agriculture, which for years has successfully operated both a regulatory and a voluntary fee-for-service quality program for the meat and poultry industries.

I understand that NFI plans to discuss further our transfer to FDA in the near future. If it would be helpful to your membership, we are available to answer questions or provide other assistance regarding this worthwhile initiative. We can be reached at (301-713-2351).

Sincerely,

Samuel W. McKeen  
Director  
Seafood Inspection Program